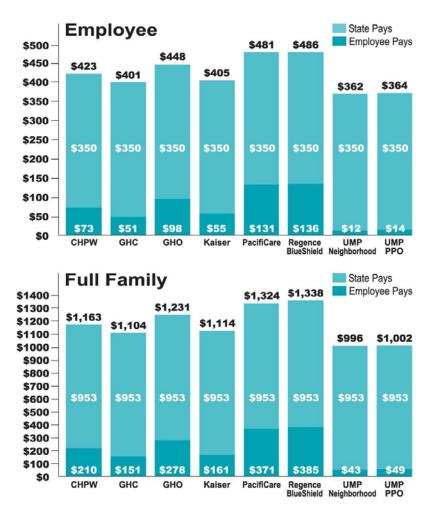
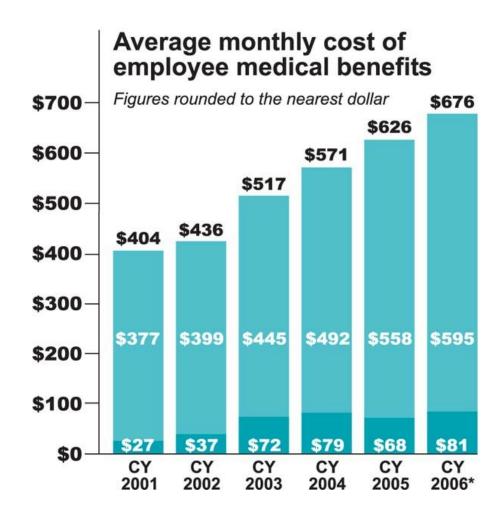
How Much PEBB Coverage Costs in 2006



History of State v. Employee Costs



Health Plan "Switching"

Health Plan	Net Change (11/4/05)	
Group Health	-217	
Options	-170	
CHPW	-102	
Kaiser	12	
Regence	-147	
Pacificare	-174	
UMP PPO	882	
UMP Neighborhood	112	



PEBB Meeting Schedule 2006

Executive sessions 11:30 a.m. – 1:00 p.m. Board meetings 1:00 p.m. – 3:00 p.m.

Proposed dates:

January 17, 2006

March 14, 2006

April 20, 2006

June 27, 2006

October 17, 2006

Board Retreat 10:00 a.m. - 3:30 p.m.

November 14, 2006

Optional meeting dates:

February 14, 2006

May 23, 2006

July 6, 2006

November 17, 2005

Public Employees Benefits Board

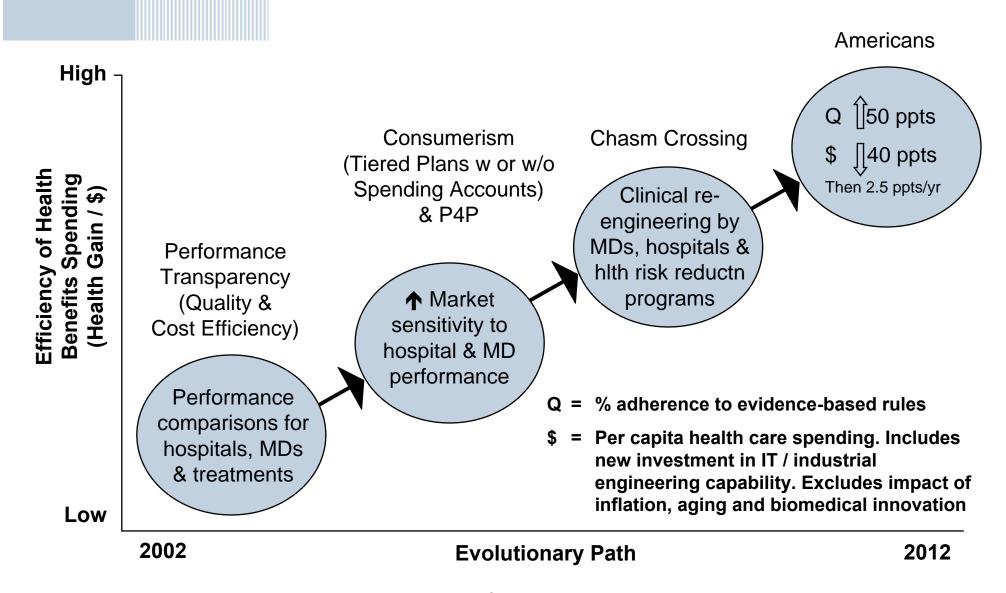
Emerging Strategies in the Health Care Market*

*Purloined from Arnold Milstein, MD

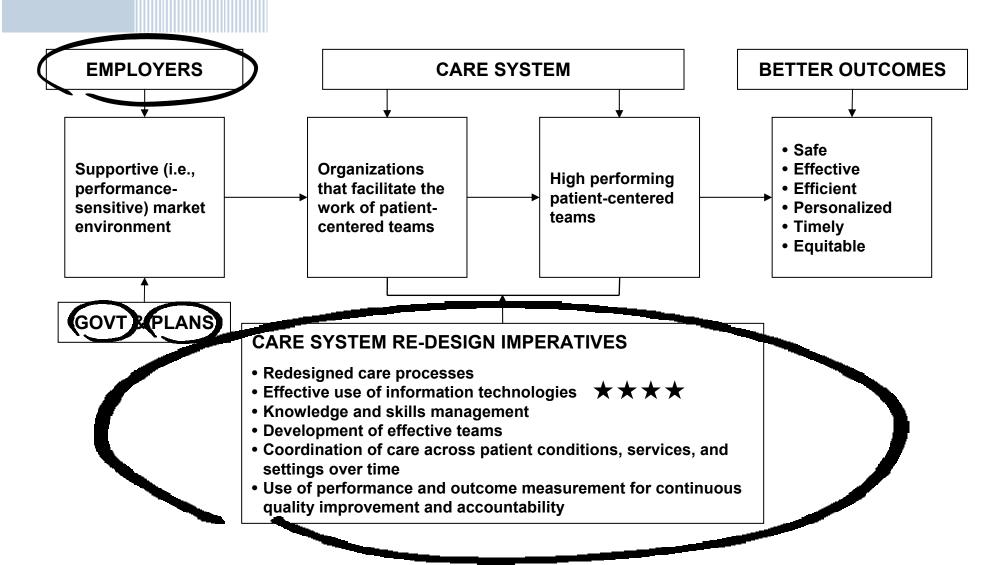
Alternatives to Medical Impoverishment, Uninsurance, and Service Rationing:

- A. Slow the growth rate of payable provider prices (not rated)
- B. Incentivize greater beneficiary stewardship of care spending ★
- C. Reduce intensity of services, especially for "flat-of-curve" care ★★
- D. Improve health industry's production efficiency ★★★

A Near-Term Vision that Benefits All Stakeholders

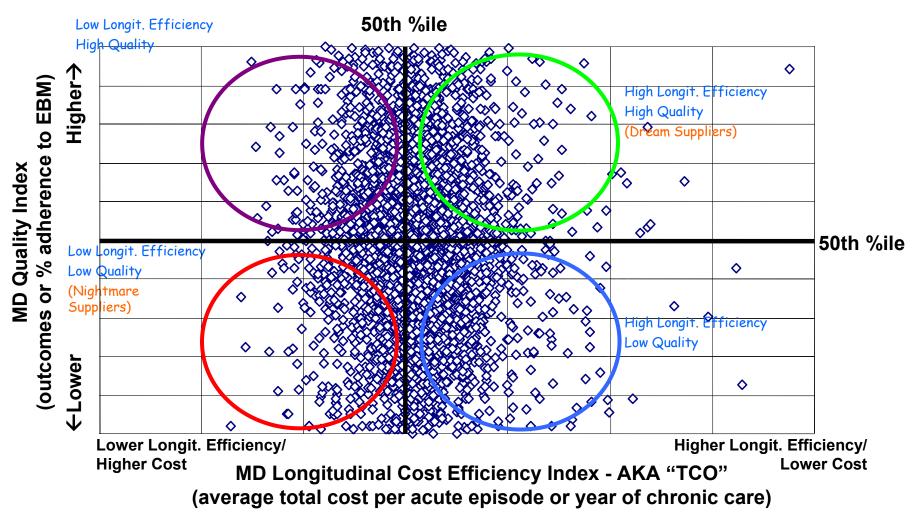


A Similar Vision from the Institute of Medicine



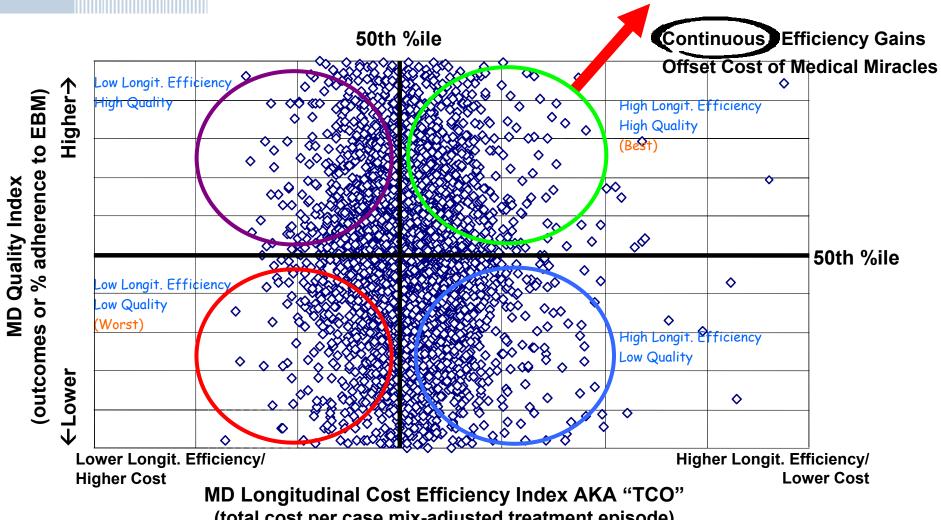
Source: Adapted by Arnie Milstein, M.D., from Crossing the Quality Chasm, IOM, 2001

Reduction in Flat-of-Curve Care Requires New Performance Measurements and New Criteria for "Preferred" Providers & Suppliers (a real distribution of "total cost of ownership" & quality for individual MDs; also applies to hospitals & treatment options)



Adapted from Regence Blue Shield

Incentivizing Robust Re-Engineering of Health "Production" is the Only Infinite Method of Stabilizing Health Care Spending

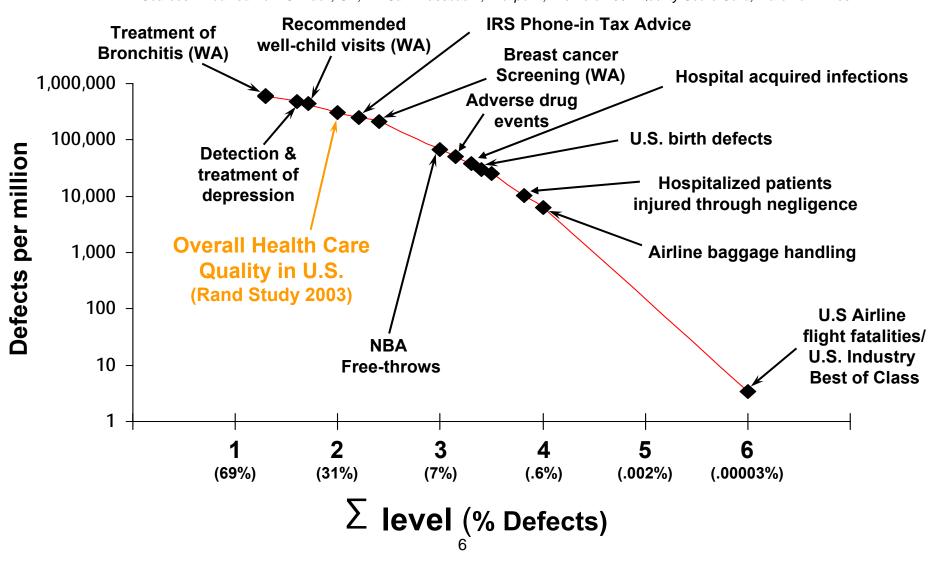


(total cost per case mix-adjusted treatment episode)

Adapted from Regence Blue Shield

Health Care Quality Defects Occur at Alarming Rates

Sources: modified from C. Buck, GE; Dr. Sam Nussbaum, Wellpoint; Premera 2004 Quality Score Card; March of Dimes



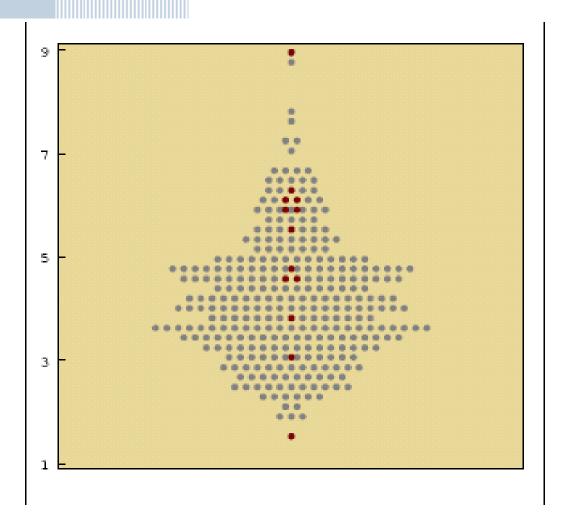
Preventing Complications and Premature Death

Patients get recommended care only half of the time; consequences are avoidable.

Condition	Shortfall in Care	Avoidable Toll
Diabetes	Average blood sugar not measured for 24%	2,600 blind; 29,000 kidney failure
Hypertension	< 65% received indicated care	68,000 deaths
Heart Attack	39% to 55% didn't receive needed medications	37,000 deaths
Pneumonia	36% of elderly didn't receive vaccine	10,000 deaths
Colorectal Cancer	62% not screened	9,600 deaths

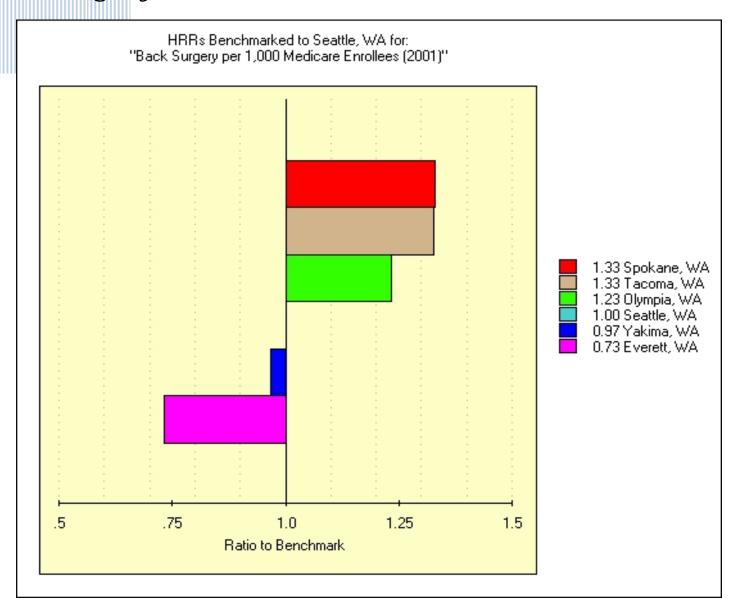
Source: Elizabeth McGlynn et al, RAND, 2004

Surgery for Back Pain



Bend, OR	9.0
Eugene, OR	6.2
Portland, OR	6.1
Salem, OR	5.9
Spokane, WA	5.8
Medford, OR	5.8
Tacoma, WA	5.4
Yakima, WA	4.6
Seattle, WA	4.5
Olympia, WA	4.5
Everett, WA	3.8
Anchorage, AK	3.0
Honolulu, HI	1.3

Back Surgery



Sample Process Reengineering in Dr's Office An Initial "Rebuild" of an Ophthalmology Visit

• Before

"we're doing everything we can think of... we need more money!"

Traditional model
1 assistant/MD
Staff poorly trained
2 rooms/MD



22 patients/day/MD
3 month wait for consult
Patient Satisfaction = 63%
Provider Satisfaction = 90%
\$60 per visit
\$22.31 per beneficiary/year

After

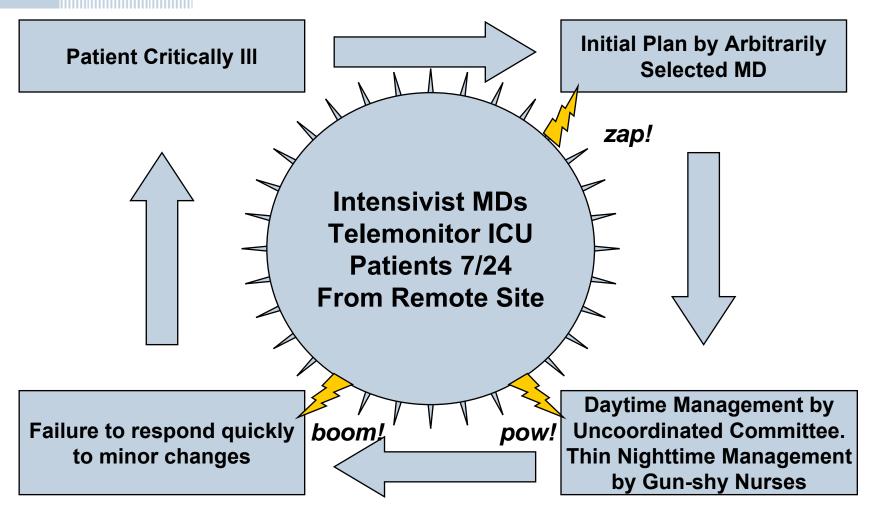
"we're doing what we didn't know about before... we need less money!"

Engineered model 3 assistants/MD Staff highly trained 4 rooms/MD



50 patients/day/MD
No wait for consult
Patient Satisfaction = 85%
Provider Satisfaction = 94%
\$43 per visit
\$14.91 per beneficiary/year

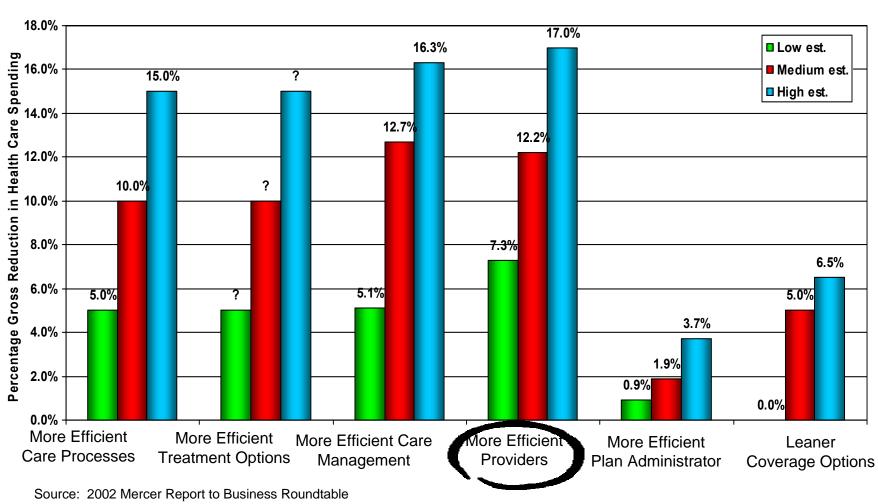
Sample Process Reengineering in Hospital An Initial "Rebuild" of an ICU Stay



The Bottom Line: 54% reduction in mortality and 21% reduction in costs in average hospital. 20% and 20% in a "top" hospital.

Less Flat-of Curve Care & More Production Efficiency: Specific Vehicles and Their Yields

Estimated Static Savings From Linking Beneficiaries With More Efficient Options



Large Employer Health Care Strategies

Data Analysis and Diagnosis Business and HR Priorities Enrollment, costs and demographics Cost drivers and savings opportunities Traditional Tactics **Advanced Strategies** Plan Design Contributions Maintain a Engage Types of plans Percentage of cost healthy workforce employees in Number of choices Salary stratified Identification of health behavior change **Cost Sharing** Indexed to plan costs risks Raise cost awareness Service-related offerings Tiered for family size Health promotion through education and Pay-related designs Risk-related programs cost sharing **Pharmacy** Opt-out credits (cash) Self-care assistance Education about cost Savings/spending Health risk management and health conditions accounts Incentives for health Tools about provider awareness - risk cost and quality appraisal participation Availability of savings accounts Financing Vendors Focus on high cost **Purchase Highest** Funding decision -Vendor selection population **Quality and Most** insured, self-insured, Performance measures Disease management **Cost Effective Care** minimum premium Clinical capability Case management Gain sharing High performance Operational audits Maternity programs Employee self-funding network Network strategy FSA, HRA Advocacy programs Collective purchasing Renewal negotiation Incentives for care Supply chain management purchasing compliance National initiatives for Integrate information quality improvement and/or care management with disability and worker's compensation

Source: Mercer Human Resource Consulting

Strategic Themes

- Comprehensive, comparable data (financial, utilization, quality)
- Data Transparency
 - Providers
 - Purchasers
 - Consumers
- Evidence Based Clinical Performance Standards
- Consumer Education & Engagement
- Re-Engineering Care Delivery Processes
- Continuous Quality & Efficiency Improvement